

Legislative Audit Division

State of Montana



Report to the Legislature

March 2002

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Montana Single Audit Report

This document is prepared in accordance with the federal Single Audit Act Amendments of 1996 and OMB Circular A-133. It contains the auditor's reports on Montana's General Purpose Financial Statements and Schedules of Expenditures of Federal Awards for the fiscal years ended June 30, 2000, and 2001, as well as Reports on Internal Controls and Compliance, the Schedule of Findings and Questioned Costs, the Corrective Action Plan, and the Summary Schedule of Prior Audit Findings.

Direct resolution of federal issues to:
Single Audit Coordinator
Office of Budget and Program Planning
PO Box 200802
Helena MT 59620-0802
Phone: (406) 444-3616

Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

01-02

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
PO Box 200802
Helena MT 59620-0802
Phone (406) 444-3616

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator John Cobb	Representative Joe Balyeat
Senator Jim Elliott	Representative Dee Brown
Senator Dan Harrington	Representative Bill Eggers
Senator Ken Miller	Representative Hal Jacobson
Senator Corey Stapleton	Representative Jeff Pattison, Vice Chair
Senator Jon Tester, Chair	Representative David Wanzonried

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

March 2002

The Legislative Audit Committee
of the Montana State Legislature:

This is our Single Audit Report of the state of Montana for the two fiscal years ended June 30, 2001. This document contains the independent auditor's reports on the state of Montana's General Purpose Financial Statements and Schedules of Expenditures of Federal Awards for the fiscal years ended June 30, 2000 and 2001. It also contains reports on the state of Montana's internal controls and compliance with federal and state laws and regulations, a Schedule of Findings and Questioned Costs, a Corrective Action Plan, and a Summary Schedule of Prior Audit Findings. The Single Audit was conducted in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

The review disclosed certain questioned costs and deficiencies, which are summarized in the Schedule of Findings and Questioned Costs in this document. Agency management has responded to the audit findings, and the responses are included in the Corrective Action Plan prepared by the Office of Budget and Program Planning. Findings previously reported in the state of Montana's Single Audit Report for the two fiscal years ended June 30, 1999, that would be reported under OMB Circular A-133 are included in the Summary Schedule of Prior Audit Findings, which was also prepared by the Office of Budget and Program Planning.

Respectfully submitted,

(Signature on File)

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Montana Single Audit Report

All financial compliance audit staff were involved in the individual agency audits and statewide audits supporting this audit report. Staff involved in incorporating results from individual agency audits and statewide audits into this audit report include Geri Hoffman, Jennifer Solem, and Joyce Weber.

Table of Contents

Section A FY01 Financial Section	Independent Auditor’s Report	Page A-1
	General Purpose Financial Statements	Page A-4
	Independent Auditor’s Report on the Schedule of Expenditures of Federal Awards.....	Page A-75
	Schedule of Expenditures of Federal Awards.....	Page A-77
	Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	Page A-115
Section B FY00 Financial Section	Independent Auditor’s Report	Page B-1
	General Purpose Financial Statements	Page B-4
	Independent Auditor’s Report on the Schedule of Expenditures of Federal Awards.....	Page B-73
	Schedule of Expenditures of Federal Awards.....	Page B-75
	Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	Page B-111
Section C Auditor’s Report & Findings	Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	Page C-1
	Schedule of Findings and Questioned Costs:	
	Section I – Summary of Auditor’s Results.....	Page C-3
	Section II – Financial Statement Findings	Page C-5
	Section III – Federal Award Findings and Questioned Costs	Page C-13
	Department of Agriculture	2-1..... Page C-13 2-2..... Page C-14

Table of Contents

	2-3.....	Page C-16
	2-43.....	Page C-60
	2-45.....	Page C-62
	2-47.....	Page C-64
	2-48.....	Page C-65
	2-54.....	Page C-71
Department of Defense	2-4.....	Page C-19
	2-53.....	Page C-70
Department of Housing and Urban Development	2-5.....	Page C-20
	2-6.....	Page C-21
Department of the Interior	2-7.....	Page C-22
	2-9.....	Page C-24
	2-10.....	Page C-25
	2-11.....	Page C-26
	2-20.....	Page C-36
Department of Labor	2-12.....	Page C-27
	2-13.....	Page C-29
	2-14.....	Page C-30
	2-15.....	Page C-31
	2-16.....	Page C-32
	2-17.....	Page C-33
	2-42.....	Page C-59
	2-46.....	Page C-63
Department of Transportation	2-18.....	Page C-34
Environmental Protection Agency	2-8.....	Page C-23
	2-19.....	Page C-35
	2-20.....	Page C-36
	2-49.....	Page C-66
	2-50.....	Page C-67
Department of Energy	2-20.....	Page C-36
Department of Education	2-2.....	Page C-14
	2-3.....	Page C-16
	2-12.....	Page C-27
	2-21.....	Page C-37
	2-45.....	Page C-62
	2-47.....	Page C-64
	2-48.....	Page C-65
	2-51.....	Page C-68

Table of Contents

	2-52.....	Page C-69
Department of Health and Human Services	2-2.....	Page C-14
	2-3.....	Page C-16
	2-22.....	Page C-38
	2-23.....	Page C-39
	2-24.....	Page C-40
	2-25.....	Page C-41
	2-26.....	Page C-42
	2-27.....	Page C-43
	2-28.....	Page C-44
	2-29.....	Page C-45
	2-30.....	Page C-46
	2-31.....	Page C-47
	2-32.....	Page C-48
	2-33.....	Page C-49
	2-34.....	Page C-50
	2-35.....	Page C-51
	2-36.....	Page C-52
	2-37.....	Page C-54
	2-38.....	Page C-55
	2-39.....	Page C-56
	2-44.....	Page C-61
	2-47.....	Page C-64
	2-48.....	Page C-65
Department of Social Security Administration	2-47.....	Page C-64
	2-48.....	Page C-65
Various Federal Agencies	2-40.....	Page C-57
	2-41.....	Page C-58
Section D Corrective Action Plan	Corrective Action Plan.....	Page D-1
Section E Summary Schedule of Prior Audit Findings	Summary Schedule of Prior Audit Findings.....	Page E-1